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Security Information

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Questions

IV. C. What would be the short-term effects of the dislocations, shortages, and additional costs, caused by a naval blockade on:

1. The Chinese Communist economy.

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Discussion

IV. C. 1. The Chinese Economy*

Short-term dislocations caused by the imposition of a blockade would not likely affect the supply of military end-items since those are already coming by land from the USSR. There would be a two-month gap in the delivery of machinery, and other industrial products now arriving by sea, pending their re-routing overland. Once the initial deliveries of the displaced items had been made by rail, it is probable that the supply would be relatively constant or increasing thereafter. The delay might postpone realization of the 1953 plans for parts of the industrial sector of the economy to the extent of the re-routing period.

Consumption would probably adjust itself to the reduced levels of supply of paper, gunny sacks, and similar items without initial effect. The loss of pharmaceutical imports would be unpleasant but might be partially offset by stockpiles in China and in the Bloc.

Engineering Sector

Other than the delay mentioned above a blockade would have little effect on industrial expansion. Estimates of the effect of a blockade on individual engineering industries appears below:

Aircraft: No effect. There is no production of aircraft in China except for assembly from pre-fabricated components. There is no evidence of any aircraft or components being imported by sea. Finished craft are flown in and parts come in by rail.

Weapons and Ammunition: No effect. The bulk of China's requirements is provided by overland imports from the Soviet Bloc. The comparatively small domestic production of arms and ammunition is not dependent upon imported metals or raw materials. Since weapons and ammunition are high priority items no displacement of these parts, or of domestic production, is expected.

* In this discussion it is assumed that the USSR would assist China to adjust to the effects of a blockade.

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Electrical Equipment: The electrical equipment industry is highly dependent upon seaborne imports of components and high quality metals such as silicon sheet steel. There would be some delay, therefore, until full supply was re-established by rail.

Machinery: The machinery industry is not capable of filling China's requirements for either expansion or the maintenance of existing plant capacity. Some imports are received by rail, and a blockade would cause some delay, until seaborne imports could be re-routed overland.

Transportation Equipment: The domestic automotive industry is rudimentary and could not be expanded to replace imports. Domestic production of railroad transport equipment is dependent on imported components and metals. There would be some delay in the transportation equipment industry, therefore, until full supply could be established overland.

Shipbuilding: The domestic shipbuilding industry is currently producing small, all-wooden vessels with thin steel hull sheathing entirely from domestic materials. Propulsion units and shafts, however, are largely imported. The shipbuilding program could continue under a blockade but there would be some delay in completions until full overland supply was established.

Agriculture: A blockade would, for practical purposes, eliminate the receipt of chemical fertilizers in addition to certain agricultural products. The cost of overland transportation of fertilizers would be prohibited, but their use to date has been confined largely to areas adjacent to ports of entry. In spite of the net losses caused by a blockade, minimum agricultural requirements for the maintenance of military operations and civilian subsistence could be met (assuming average growing conditions). In fact, any reduction in agricultural output, either in the short term or over a longer period would not be very significant.

Finance: As discussed in the section on Foreign Trade, a blockade would increase China's indebtedness to the Soviet Bloc. The lack of long-staple cotton would reduce the quality of textile production. Any re-adjustment of industry would be at the expense of the consumer goods sector. These effects would not be serious but would be inflationary, requiring possible additional control measures by the government. The military establishment would not be seriously affected.

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